

## Tax Increment Financing (TIF) District Questions and Answers

### Background of the Severance Corners Growth Center

#### ***Why was a growth center created by the Town?***

- The historic downtown of Colchester was the City of Winooski. In 1922, Winooski separated from Colchester leaving the Town without a downtown.
- A need for a central center service area with retail, office, housing, and recreational opportunities.
- Availability of sewer service and proximity to the planned Circ Highway Colchester exit at Severance Corners.

#### ***When was the growth center created?***

- During the mid 1990's the Town worked with property owners within the growth center area to develop mixed use zoning that would enable a growth center.
- In 1997 the Town adopted General Development Three (GD3) zoning for the growth center.
- In 2009 the Town received State Designation for the growth center.

#### ***What was the process to create the Growth Center?***

- The Town worked with property owners to identify potential uses for their land within the Severance Corners neighborhood in the mid 1990's.
- The Planning Commission held public hearings on the creation of the new GD3 zoning and then forwarded the plan to the Select Board for additional public hearings and a vote to approve.
- Subsequent Town Plans have been developed through extensive public outreach and hearings that have designated the Severance Corners area as a local growth center.
- In 2002-2003 the first individual project, Severance Village, received Board approval from the Town. This is the area currently under development at Severance Corners.
- In 2007 the Town began a process with the State to designate the Severance Corners area as a State Designated Growth Center subsequently receiving New Town Center Designation in 2008 and Growth Center Designation by the Expanded Downtown Board in 2009.

#### ***What are the goals and objectives of the Growth Center?***

- To provide dense development that includes both commercial and residential development that will encourage community services and recreational opportunities similar to that of a downtown.
- To focus growth within a minimal footprint therefore preserving the character and open spaces of the rest of the community.
- To decrease auto-reliant uses and encourage a walk-able area that has a sense of place similar to other Vermont villages.
- To maintain and enhance commercial growth and job creation.
- To better balance the Town's growth, increase the commercial tax base, and decrease tax liabilities for residential home owners within Colchester.

***What are the benefits of the Growth Center?***

- Provides a variety of residential housing with opportunities for the first-time home buyer to the downsizing retirees.
- Creates a town center for Colchester and attracts people from outside the community to come, visit, and spend money within the community.
- Provides a service area for the community in which retail, professional services, employment opportunities, and housing are co-located for convenience.
- Enables job creation by creating new opportunities for commercial development with streamlined permitting and possible Act 250 exemptions.
- Increases commercial tax base and therefore decreases residential tax liabilities.
- Reduces transportation costs through consolidated development.
- Enables innovative financing tools, such as Tax Increment Financing Districts, to be deployed by the Town to pay for necessary infrastructure costs.

**Public Infrastructure Investment**

***What public improvements are required for the Severance Corner's Growth Center?***

- An expansion of the Severance Road and US Rt. 7 intersection
- Construction of multiuse paths and sidewalks along Severance Road, Blakely Road and US Rt. 7.
- An expansion of the water storage tank on Water Tower Hill.

***Why are these improvements needed?***

- The intersection is currently experiencing significant congestion during the morning and evening commuting periods. Traffic is expected to increase even without the development at Severance Corners.
- Multi-use paths and sidewalks are needed along the arterial roadways through the growth center to allow safe pedestrian travel through and within the growth center.
- There is insufficient water storage capacity for the required fire protection at Severance Corners.

***What will these improvements cost at the time of construction?***

- |                             |             |
|-----------------------------|-------------|
| • Intersection improvements | \$1,943,750 |
| • Pedestrian improvements   | \$3,980,617 |
| • Water storage tank        | \$1,824,185 |

***How long will it take to construct these improvements?***

Approximately 5 years.

***Will private property be needed for any of these improvements?***

- Yes. The Town has already held meetings with affected property owners to discuss plans and options.
- Design options have been selected that minimize property impacts.
- Property owners will be fully compensated for any impact to their properties.

## Financing these Infrastructure Investments

### ***How do we pay for these infrastructure improvements?***

- The Town of Colchester seeks to establish a Tax Increment Financing (TIF) District within its State Designated Growth Center – Severance Corners in order to provide revenues for necessary public improvements to stimulate the development at Severance Corners.

### ***What is a Tax Increment Financing (TIF) District?***

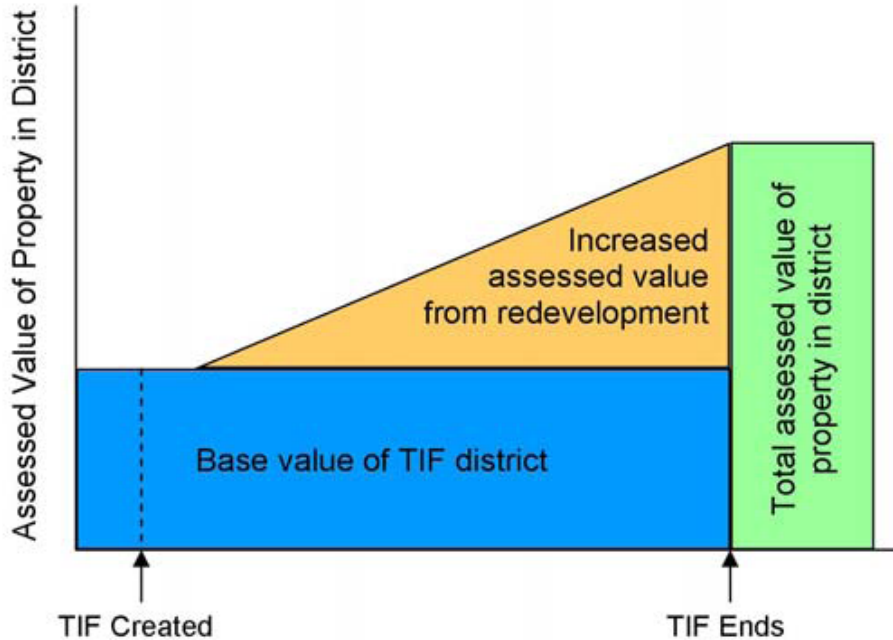
- A TIF District is a local financing tool used to provide revenues beyond normal municipal revenue sources for infrastructure improvements that serve a defined municipal district which will stimulate development or redevelopment within the District, provide for employment opportunities, improve and broaden the tax base, and enhance the general economic vitality of the municipality, the region, or the state (*See 24 VSA §1893*).
- TIFs allows municipalities to finance public infrastructure improvements that support private development, by earmarking future property tax revenues generated within a designated district to finance those improvements.

### ***Why use a TIF?***

- TIFs are popular because it is an effective self-financing economic development tool (it utilizes locally-generated revenues), and a proven land use development tool (it allows municipalities to target specific areas for development or revitalization).

### ***How does it work?***

- As development occurs in the District, total property value increases (the yellow triangle, below). The property tax revenues generated by that new development is the “tax increment,” which is used to pay the debt service on the public improvements.
- Both the municipal *and* education property tax increments are available to service TIF debt – thus, the use of TIF as an economic development tool creates significant new revenues for the Town to fund public infrastructure.
- When the District ends (usually twenty years), all property taxes are once again collected by the Town and State education fund, just like before but now there is a significantly higher total property value (see the green box below.)



(Courtesy of Burlington, VT CEDO Office, 2010)

### ***What are the risks?***

- Sometimes incremental tax revenues do not fully cover debt payments early in the life of a TIF District because there is a lag between when the public improvements are made and when the private development occurs.
- The municipality shall remain liable for full payment of the principal and interest for the term of indebtedness. This means the Colchester taxpayers are on the hook if the TIF District does not generate enough revenues to pay down the bonds.

### ***How are we managing the risks?***

- The Town has calculated that revenues will cover debt payments both on an annual basis and cumulatively through the 20 years of the life of the TIF District.
- However, to insure the Colchester taxpayers against severe economic downturns or an unforeseen change in the development schedule, the Town of Colchester is working closely with the developers on a plan of action to provide funding in order to protect the municipality from burdening the taxpayers should it occur. Several options are being discussed and will be agreed upon well before the required bond vote.

### **Proposed Timeline**

- 6/22 Working meeting with the Select Board
- 7/13 First Public Hearing on the creation of TIF District and TIF Plan
- 7/27 Second Public Hearing and Select Board Vote on creation of TIF District and approval of TIF Plan
- Submit to VEPC by 8/5 for their meeting on 8/26.
- If approved, prepare Final TIF Financing Plan for VT Economic Progress Council (VEPC) and decide when to hold Town wide Bond Vote.